

## Message Text

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11

ACTION COME-00

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 AGR-20

PA-03 USIA-12 PRS-01 TAR-02 RSR-01 /159 W

----- 008592

R 230815 Z APR 73

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 7452

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E. O. 11652: N/ A, DECLAS 4/20/77

TAGS: BEXP, ETRD, KS

SUBJECT: KOREAN PURCHASING MISSION TO U. S.

REF: A. SEOUL 2139; B. SEOUL A-131 DTD 4/17/73 (NOTAL)

SUMMARY: EMBASSY HAS MET WITH MINISTRY OF COMMERCE AND INDUSTRY (MCI) OFFICIALS AND VARIOUS US BUSINESS REPS TO DISCUSS PLANS FOR PURCHASING MISSION. MCI NOW TENTATIVELY PROPOSING MAY 15- JUNE 15 AS DATES FOR MISSION VISIT. IT CLEAR, HOWEVER, THAT MINISTRY HAS NOT COMPLETED NECESSARY ANALYSIS TO DECIDE ON SHOPPING OF COMMODITIES. EMBASSY HAS SUGGESTED FOUR TRADE CATEGORIES FOR EXAMINATION ( CHEMICALS, MANUFACTURES CLASSIFIED BY MATERIAL, MACHINERY AND TRANSPORT EQUIPMENT, AND MISCELLANEOUS MANUFACTURES) WHERE JAPANESE MARKET SHARE GREATLY EXCEEDS THAT OF U. S. MCI WILL SET UP TASK FORCES TO LOOK INTO THESE AREAS. EMBASSY WILL CONTINUE TO PRESS MCI FOR REALISTIC APPROACH SO THAT MISSION WILL RESULT IN MORE THAN COSMETIC APPROACH TO ROK- US TRADE IMBALANCE.

1. COMMERCIAL COUNSELOR AND OTHER EMBOFFS  
MET WITH MCI GROUP HEADED BY ASSISTANT MINISTER  
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SUH YOUNG CHUL TO FURTHER DISCUSS PURCHASING MISSION. ACCORDING TO SUH, MISSION TO BE COMPOSED OF: ROKG OFFICIALS FROM MCI, MAF, EPB AND MOF; REPRESENTATIVES OF KOREAN BUSINESS ORGANIZATIONS SUCH AS KOREAN TRADERS ASSOCIATION AND KOREAN CHAMBER OF COMMERCE & INDUSTRY; AND APPROXIMATELY FIFTEEN PRIVATE BUSINESSMEN TO BE CHOSEN AFTER COMMODITIES DECIDED ON BY MCI. TENTATIVE DATE FOR MISSION IS MAT 15- JUNE 15 BUT THIS SUBJECT TO CHANGE.

2. DURING COURSE OF MEETING IT APPEARENT THAT MCI HAD NOT COMPLETED HOMEWORK AS REGARDS POTENTIAL AREAS FOR INCREASE IN US IMPORTS. DRAWING ON ANALYSIS PROVIDED REF B, WE POINTED OUT THAT IN 1972, NEARLY \$1.5 BILLION, OR WELL OVER HALF OF ROK IMPORTS, FELL INTO FOUR SITC ONE- DIGIT CATEGORIES: CHAPTER 5 (CHEMICALS), CHAPTER 6 (MANUFACTURES CLASSIFIED BY MATERIAL), CHAPTER 7 (MACHINERY AND TRANSPORT EQUIPMENT), AND CHAPTER 8 (MISCELLANEOUS MANUFACTURES). JAPAN' S MARKET SHARE IN THESE FOUR CATEGORIES WAS ALMOST 63 PERCENT WHILE US SUPPLIED ONLY 14 PERCENT. WE SUGGESTED THAT MCI APPOINT FOUR TASK FORCES TO EXAMINE THESE CATEGORIES FOR POTENTIAL COMMODITIES THAT MIGHT BE SWITCHED TO US. AFTER TASK FORCES HAVE COMPLETED REVIEW, WE SUGGESTED THEY SHOULD MEET WITH KOREAN AND US BUSINESSMEN TO DISCUSS AND MODIFY LIST OF COMMODITIES. WE POINTED OUT THAT WHEN THIS ESSENTIAL TASK HAS BEEN COMPLETED, QUESTIONS OF ITINERARY, MISSION COMPOSITION, ETC., WILL BE SPEEDILY RESOLVED. MCI OFFICIALS AGREED TO USE THIS APPROACH AND TO WORK CLOSELY WITH EMBASSY IN DEVELOPING REALISTIC LIST OF COMMODITIES.

3. PRIOR TO DISCUSSION WITH MCI OFFICIALS, EMBASSY HELD SEPARATE MEETINGS WITH GROUP FROM AMERICAN CHAMBER OF COMMERCE IN KOREA AND REPRESENTATIVES OF US SHIPPING AND AIRLINE COMPANIES TO DISCUSS PURCHASING MISSION. CHAMBER REPRESENTATIVES STRESSED NEED FOR HEAVY KOREAN BUSINESS REPRESENTATION ON MISSION. SHIPPING COMPANIES PARTICULARLY CONCERNED ABOUT HIGHER WEST- BOUND THAN EAST- BOUND SHIPPING CONFERENCE RATES FOR CARGO IN PACIFIC WHICH RAISES COST OF US COMMODITIES. AIRLINE AND SHIPPING COMPANIES ALSO CONCERNED ABOUT ROKG REQUIREMENT THAT KOREAN IMPORTERS OBTAIN, IN ADVANCE, FOREIGN EXCHANGE AT HIGH INTEREST RATES NOT ONLY FOR COMMODITY BUT FOR FREIGHT AND INSURANCE.

4. DURING MEETING WITH MCI OFFICIALS, EMBOFFS RAISED THESE AND OTHER U. S. CONCERNS REGARDING TRADING SITUATION WITH KOREA. WE  
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EXPLAINED THAT TRADE IMBALANCE NOT SIMPLY MATTER OF BUYING MORE US PRODUCTS BUT ALSO WHOLE COMPLEX OF BARRIERS TO US EXPORTS. WE SUGGESTED BARRIERS BE CONSIDERED SEPARATELY FROM BUYING MISSION BUT AS PART OF COORDINATED REEXAMINATION OF US/ KOREAN TRADING SITUATION. MCI OFFICIALS AGREED THAT DISCUSSIONS SHOULD BE BROADENED AS APPROPRIATE TO INCLUDE ALL TRADE- RELATED FACTORS.

5. COMMENT: AT THIS POINT, WE HAVE NOT SEEN MUCH EVIDENCE OF MCI EFFORT TO DRAW UP MEANINGFUL SHOPPING LIST ALTHOUGH WE HAVE BEEN ASSURED THAT THIS HAS BEEN OBJECT OF MUCH TIME AND ATTENTION IN MINISTRY. WE WILL CONTINUE TO MAINTAIN PRESSURE FOR PRACTICAL MISSION, BUT WE ARE DOUBTFUL PREPARATIONS CAN BE COMPLETED BY SCHEDULED MAY DATES. MEANWHILE, IT WOULD BE VERY HELPFUL IF WE COULD OBTAIN FROM DEPARTMENT, AND/ OR EMBASSY TAIPEI, AN ANALYSIS OF STRENGTHS AND WEAKNESSES OF ROC MISSION SO THAT WE CAN USE THIS EXPERIENCE IN HELPING MCI TO SHAPE UP KOREAN MISSION.  
UNDERHILL

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